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UNCLAS SECTION 01 OF 02 SANTO DOMINGO 000456

SIPDIS

STATE FOR WHA/CAR, WHA/EPSC, EB/TPP/BTA, EF/IFD/OMA; STATE PASS AID/LAC; NSC FOR SHANNON AND MADISON; LABOR FOR ILAB; TREASURY FOR OASIA-LCARTER, RTOLOUI, DDOUGLASS; COMMERCE FOR USPTO

E.O. 12958: N/A

TAGS: DR EFIN KIPR PREL

SUBJECT: DOMINICAN TECHNICAL SECRETARY OPTIMISTIC ON CAFTA RATIFICATION, BROADCAST PIRACY AND IMF STANDBY AGREEMENT

REF: SANTO DOMINGO 6915

¶1. (SBU) Summary: Dominican Technical Secretary Temistocles Montas told the DCM January 28 that President Fernandez will present the Central American Free Trade Agreement (CAFTA-DR) for ratification during the annual presidential address to Congress on February 27, saying that that agreement is absolutely essential to the country's future. He agreed that protection of intellectual property rights is an important element of the agreement and that stopping television broadcast piracy should receive greater attention. Montas said that President Fernandez is optimistic that the IMF's Executive Board will approve a new Standby Agreement for the Dominican Republic when it meets January 31, and commented that the Standby will transform the Dominican economy when fully implemented.

CAFTA to move forward

¶2. (SBU) Dominican Technical Secretary Temistocles Montas told the DCM January 28 that President Fernandez will present the Central American Free Trade Agreement (CAFTA) for ratification during the annual presidential address to Congress on February 27, adding that the administration will be pressing all sectors to support the free trade agreement as essential to the country's economic growth and stability. He said that being left out would be "disastrous" for the country. Montas said that a group of senators, including Senate President Andres Bautista, traveled last week to Chile to discuss aspects of the free trade agreement with the United Nations, Economic Commission for Latin America and the Caribbean (ECLAC). ECLAC's message was that the Dominican Republic could not afford to be left out of CAFTA and Montas said that the Fernandez administration is prepared to take the necessary steps to see that the agreement is approved by congress.

¶3. (U) Explaining the dynamics for ratification of the agreement in U.S. Congress, the DCM told Montas that intellectual property rights infringement and specifically television broadcast piracy was a continuing concern in the United States. Secretary Montas acknowledged that broadcast piracy was a long running problem that potentially threatened President Fernandez's agenda to make the Dominican Republic a top choice for film companies searching for new locations. He agreed that broadcasters violating IPR should be held accountable and assured the DCM that his office would instruct the Dominican Institute of Telecommunications (Indotel) to take appropriate steps to stop piracy. He asked for a list of television channels and others who were acting illegally. The Embassy is following up.

Benefits of a new IMF Standby Agreement

¶4. (SBU) The IMF's Executive Board is scheduled to review a new Standby Agreement for the Dominican Republic on January 31, and Montas expects it to pass without difficulty now that a couple of last-minute problems have been resolved. Montas said that relatively minor amounts of Dominican arrears with official creditors in Spain and Canada were recently discovered for which the current administration could find no records. He lamented that controls had slipped to such a degree under the Mejia administration and that loan approvals were bypassing the Technical Secretariat and being approved directly by the Minister of Finance. Despite what Mejia's Finance Ministry had maintained, he said the majority of loans were not taken from international financial institutions at favorable rates, but were made by private banks with less transparency and at higher costs.

¶5. (SBU) Montas said that the IMF agreement would help reestablish economic growth and stability. Perhaps most importantly in Montas's opinion, the agreement will force institutional reform. The program, he said, will change the way the government manages the economy, reducing the president's inordinate decision-making power regarding lending and granting greater independence to the Banking

Superintendency. The new IMF agreement will require the government to clarify the decision-making process for loan approvals and will help avoid the free spending habits of the previous administration. Montas stated that with the changes envisioned in the new agreement, the current administration will be in a position in four years to hand over a government structure completely different and improved from the one it inherited.

HERTELL